

Basic Policies on the Development of Internal Control Systems (1)

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1. Systems for ensuring compliance of director and employee business operations with laws and statutes

① We shall stipulate the obligations of directors and employees to comply with laws and statutes when conducting business operations in accordance with the HORIBA Corporate Philosophy and our Code of Ethics to create a corporate culture that facilitates legal compliance, and to prevent violations of laws and statutes.

Directors and employees who discover violations of laws and statutes committed by other directors and employees shall report such violations in accordance with the Compliance Management Provisions, and the Compliance Chief Management Officer shall verify reported violations and take appropriate measures to maintain and enhance the governance system, including reporting the violations to relevant company organizations as necessary.

② We shall ensure all directors and employees thoroughly understand our Code of Ethics and Compliance Management Provisions, which form the basis of our compliance system, in order to promote the development, maintenance and improvement of our internal control system. We shall also provide training

for directors and employees as necessary.

③ A division established independently of the executive divisions shall conduct internal audits in order to detect and prevent violations of laws and statutes, and to issue instructions for improving business operation processes.

④ In addition to the company system outlined in ① above regarding the reporting of facts relating to compliance, including violations of laws and statutes, we have already created a reporting system that allows employees to report directly to external lawyers and other groups based on our Compliance Management Provisions. We shall continue to ensure that this system is properly maintained.

⑤ Auditors shall be required to state their opinions on issues related to the implementation of company systems for compliance with laws and statutes, and shall be required to formulate measures to make necessary improvements.

⑥ In order to improve the system for supervision and monitoring by directors and auditors, we have appointed external board members and external auditors with the knowledge and experience required for the proper management of business operations. We shall continue the practice of appointing appropriate external members.

2. Systems for the preservation and management of information concerning the execution of duties by directors

Information concerning the execution of duties by directors, including information related to the execution of duties by employees who conduct business operations under the direction and supervision of directors, shall be preserved and managed properly and securely in accordance with rules pertaining to documents, such as our Document Management Provisions and Document Preservation Standards, in such a way as to allow access to the information when necessary.

3. Rules and other systems on the management of risk of loss

We shall establish risk management rules for the development and operation of a risk management system to manage risk of loss.

We shall also provide directors and employees with education and training in risk management as required.